

City of Alexandria, Virginia

MEMORANDUM

DATE: JUNE 21, 2016

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
THE HONORABLE KAREN GRAF, CHAIRMAN, AND MEMBERS
OF THE ALEXANDRIA CITY SCHOOL BOARD

THROUGH: MARK B. JINKS, CITY MANAGER *mj*

FROM: MORGAN ROUTH, DIRECTOR, OFFICE OF MANAGEMENT AND
BUDGET *MR*

SUBJECT: FISCAL IMPACT TO FULLY FUND THE ACPS APPROVED CIP
AND ESTIMATED ENROLLMENT CHANGES

The City's cost to fully fund the Alexandria City Public Schools (ACPS) estimated enrollment changes and approved FY 2017 – FY 2026 Capital Improvement Program (CIP) over the next five years is anticipated to grow substantially and would eventually require the equivalent of an estimated 15 cent cumulative real estate tax rate increase by FY 2021 if funded entirely from real estate property tax revenue.

The following table is a summary of the total estimated costs for ACPS to address enrollment changes and the operating costs associated with capacity expansion as outlined in the ACPS five year financial forecast; the additional debt service that would be required to fully fund the ACPS CIP; and the potential cumulative impact on the real estate tax rate. This analysis only includes the cost of enrollment changes and facility expansion. It does not include compensation cost increases for salaries, medical benefits, pension costs or any other inflationary increases.

The amounts presented in the table only provide an order of magnitude estimate of future funding challenges and do not represent a funding request from ACPS.

Estimated Future Real Estate Tax Rate Equivalent to Fund ACPS Enrollment Growth and Expansion

	FY 2018	FY 2019	FY 2020	FY 2021
New Students Projected (Cumulative)	602	1,119	1,645	2,217
<u>Enrollment & Expansion Costs (in Millions of \$)</u>				
Enrollment Change	\$ 5.7	\$ 10.5	\$ 15.5	\$ 20.9
Staffing Costs for Expanded Capacity	\$ 3.3	\$ 3.5	\$ 5.1	\$ 5.5
Lease Costs for Expanded Capacity	\$ 7.7	\$ 13.0	\$ 15.5	\$ 16.4
Debt Service Costs Above FY 2017	<u>\$ 6.7</u>	<u>\$ 9.6</u>	<u>\$ 11.8</u>	<u>\$ 11.0</u>
Total Cost Increase Above FY 2017	\$ 23.3	\$ 36.6	\$ 47.9	\$ 53.8
Real Estate Tax Rate Increase Equivalent (In Cents)	+6¢	+10¢	+13¢	+15¢

ACPS enrollment is projected to grow by 2,217 students in the next five years, from 15,298 students in FY 2017 to 17,515 in FY 2021, resulting in a \$20.9 million increase by FY 2021.

In order to accommodate the enrollment increase, the ACPS approved CIP includes new leased facilities including a West End elementary school, two Pre-K facilities, one swing space site, and a specialized academy. The ACPS estimated staffing costs to operate these facilities in FY 2018 is \$3.3 million above the FY 2017 approved budget and grows to \$5.5 million in FY 2021. The lease cost for these facilities is \$7.7 million in FY 2018 above the FY 2017 budget and grows to \$16.4 million in FY 2021.

The construction cost to retrofit all of these facilities is included in the ACPS approved CIP but only funding for the West End elementary school and the first Pre-K facility is included in the City's approved CIP. The project costs included in the ACPS CIP for FY 2017 – FY 2021 total \$198.4 million. The City approved CIP includes \$138.5 million over the same five year period, a difference of \$59.9 million. To fully fund the ACPS CIP over the next five years, the additional debt service cost would be \$6.7 million in FY 2018 and grow to \$11.0 million in FY 2021.

The sum total of the additional funding that would be needed in FY 2018 to fully fund ACPS enrollment growth and facility expansion would be approximately \$23.3 million. In order to raise the additional funding from real estate property taxes, the tax rate would need to increase by approximately 6 cents that year. By FY 2021, the cumulative enrollment growth and expansion cost above the funds included in FY 2017 is expected to total \$53.8 million, which would require the equivalent of a 15 cent cumulative real estate tax rate increase by FY 2021 to fully fund.